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Spies steal data as FBI looks on

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WASHINGTON — Serious losses of American high technology secrets occurred under the noses of federal agents who, in some cases, watched as spies turned classified data over to Soviet agents but failed to make arrests, a Senate inquiry has revealed.

A year-long investigation by the Senate Permanent Investigations Subcommittee showed that poorly coordinated teams of law officers failed to prevent major losses of secrets.

The CIA concluded that in one case in which FBI agents conducted a long-term surveillance, suspects passed to communist agents key secrets relating to the new Stealth bomber, the B-1 bomber, the F-14 carrier-based jet fighter and other weapons.

Sen. Sam Nunn (D., Ga.), who directed the probe, received a report from the CIA that said of such losses: "The acquisition of this information will save the Polish and Soviet governments hundreds of millions of dollars in research and development efforts by permitting them to implement proven designs developed by the U.S. and by fielding operational counterpart systems in a much shorter time period."

WHILE FBI agents apparently failed to make quick enough arrests in the case cited by the CIA, Commerce Department officials failed to act on a detailed and accurate tip about another espionage operation that apparently cost the U.S. its biggest loss to date in critical computer technology secrets, subcommittee investigators found.

In that case, too, the material was slipped out of the U.S. even as American agents followed the suspects.

In the first case, FBI agents in California for four years tapped phones of and frequently followed Marion Zacharski, an executive of the Chicago based Polamco Machine Co., who proved to be a Soviet bloc agent. Zacharski recruited a Hughes Aircraft Co. engineer, William Holden Bell, while under bureau surveillance, according to testimony.

FBI agents, including a female operative, followed Bell to Paris, Geneva and other European cities, where he was observed meeting with "handlers" from Soviet intelligence services.

BELL, WHO since has been convicted of espionage, testified before Nunn's

panel that he recognized the American woman agent while transferring secrets to Soviets in Paris. He also said he recognized a male FBI agent followed him in Geneva.

In both cases, said Bell, he continued with his spy activities despite the surveillance.

Senate investigators said that evidence produced in the trials of Bell and Zacharski confirmed the surveillance.

Bell said that he passed his most damaging secret — details of a new LPIP (Low Probability of Intercept) radar — in Geneva after slipping away from his followers and meeting a communist ally in an elevator at the United Nations building there.

The CIA report that Nunn distributed to his committee colleagues concludes that Bell and Zacharski had provided information relating to the following devices: the "quiet" LPIP radar for the B-1 and Stealth bombers; the "look-down, shoot-down" radar system for jet fighters; the all-weather radar system for the M-1 main battle tank; the Phoenix air-to-air missile on the F-14 fighter; the Hawk surface-to-air missile; the Patriot air defense missile and several ship-borne surveillance sonars and radars.

AT THE SAME time that Bell and Zacharski were under FBI surveillance, Commerce Department investigators were failing to pursue what turned out to be perhaps an even more harmful intelligence leak.

Ultimately, investigators from the intelligence community were able to document 400 separate shipments of microcomputer chips, chip manufacturing machinery, computer programs and other restricted materials that the spies in the Commerce Department case sent to Soviet agents.

Particularly damaging, testified Lara Baker of the Los Alamos National Laboratory, was the shipment to the Soviets of four machines capable of performing the complex bonding required to create the microchips. Such chips are major components of American weapons ranging from jet fighters to tanks.

Baker and Jack Varona, chief of scientific intelligence at the Defense Intelligence Agency, both explained that until the Soviets obtained those manufacturing machines, communist agents were forced to return repeatedly to their U.S. sources to replace stolen computer parts when they wore out.

THESE SHIPMENTS mainly originated in Southern California, where a naturalized American, Anatolij Maljuta, worked with a West German national, Werner Bruchhausen, to ship the hundreds of loads of computer devices to Soviet agents in Europe and the Soviet Union.

All of the devices were barred from shipment under federal licensing regulations enforced by the Commerce Department's Offices of Export Administration.

Fred Asselin, an investigator for the committee, noted in a written report to Nunn and other panel members that even before Maljuta and Bruchhausen began making the most damaging shipments to the Soviets, U.S. authorities had been tipped to the spy operation.

Specifically, in 1977 and again in 1978, the U.S. embassy in Dusseldorf, West Germany, received lengthy letters outlining the complex scheme whereby the two men established nearly two dozen companies, registered them with the State of California and then used them to purchase computer equipment barred to the Soviets for national security reasons.

THE STATE Department translated the letters from German into English and sent them to the Commerce Department. However, the investigator found, Commerce officials simply put the letters into a folder and filed them. "No investigation was initiated as a result of the letters," Asselin found.

It was only after two of the companies from whom the conspirators tried to buy restricted computer items complained that a Commerce Department investigation was initiated.

The investigation quickly discovered irregularities, but the Commerce Department was forced to ask the Customs Bureau and the United States attorney in Southern California for help to conduct the probe.

Commerce officials lack the power to make arrests or to carry firearms, both of which proved to be serious limitations in the Bruchhausen-Maljuta case.